



THE COMMITTEE ON ENERGY AND COMMERCE

MEMORANDUM

June 3, 2013

To: Members of the Subcommittee on Health

From: Majority Committee Staff

Re: SGR: Legislative Hearing on Repeal and Reform of the Physician Payment Program

On June 5, 2013, at 10:00 a.m. in 2123 Rayburn House Office Building, the Subcommittee on Health will hold a hearing entitled “Reforming SGR: Prioritizing Quality in a Modernized Physician Payment System.” The following memorandum provides background on the hearing witnesses and Medicare physician payment.

I. WITNESSES

Cheryl L. Damberg, Ph.D.
Senior Policy Researcher; Professor
Pardee RAND Graduate School

William Kramer
Executive Director for National Health Policy
Pacific Business Group on Health

Jeffrey B. Rich, M.D.
Immediate Past President of the Society of Thoracic Surgeons
Director at Large, Virginia Cardiac Surgery Quality Initiative

Thomas J. Foels, M.D., M.M.M.
Executive Vice President, Chief Medical Officer
Independent Health

II. MEDICARE PHYSICIAN PAYMENT

The following discusses (1) the Committee’s review of Medicare’s Sustainable Growth Rate (SGR) system of paying doctors during the 112th and 113th Congresses, and (2) improving Medicare physician payment by repealing and replacing the existing SGR system. A legislative discussion draft has been prepared and will be the focus of this hearing.

SGR During the 112th and 113th Congresses

During the 112th Congress, the Energy and Commerce Committee accomplished a great deal to advance the discussion on how to replace the SGR and reform the Medicare Physician payment system. On March 28, 2011, the Committee sent a bipartisan letter to approximately 50 physician groups and other stakeholders requesting suggestions for developing a long-term alternative to the SGR. The Committee received more than 30 responses. The responses varied from simply proposing repeal of the SGR and providing for 10 years of stable payment updates to detailed and comprehensive payment and care delivery reforms.

In May 2011, the Committee held a hearing entitled “The Need to Move Beyond the SGR.” This hearing explored the following issues: what is the role of newer payment/delivery systems now being evaluated; how do you measure quality; how do you pay for value, not volume; and, how do you incentivize beneficiaries to make better choices?

In July 2012, the Committee held a hearing entitled “Using Innovation to Reform Medicare Physician Payment.” This hearing examined possible options for how Medicare can use innovative ideas and payment/delivery models from the private sector to reform the current physician payment system.

At the end of the 112th Congress, Congress averted the 26.5 percent reduction in Medicare physician payment rates that was scheduled to go into effect on January 1, 2013. It accomplished this by extending current Medicare physician payment rates through December 31, 2013, at a cost of \$25.2 billion.¹

During the 113th Congress, on February 14, 2013, the Committee held a hearing entitled “SGR: Data, Measures and Models; Building a Future Medicare Physician Payment System.” The hearing explored the following issues: the flaws of the current volume based physician payment system as described by Medicare Payment Advisory Committee Director Glenn Hackbarth; how to improve health through regional cooperatives and population based models; and, how to measure quality and pay for value.

Improving Medicare’s Physician Payment System

On May 28, 2013, the Committee released a discussion draft setting forth the various approaches that SGR reform could take. The draft was designed to solicit feedback from stakeholders as well as Members of Congress.

The policies laid out in this discussion draft seek to create a versatile and durable model which emphasizes value over volume and introduces these concepts in two overlapping phases. Additionally, the policy allows for an “Opt-Out” choice for providers who wish to participate in alternate payment models such as, but not limited to, bundled payments and patient-centered

¹ Medicare's Payments to Physicians: The Budgetary Impact of Alternative Policies Relative to CBO's March 2012 Baseline, available at: <http://www.cbo.gov/publication/43502>.

medical homes. The phases of the modified fee for service (FFS) program can be summarized as follows:

Phase I: A Period of Payment Stability & Development of Improved Fee-For-Service Program. The duration of Phase I is yet to be determined, and soliciting feedback on an appropriate length of stability is a goal of the hearing. The period of stability is directly linked to the time necessary to build a system that identifies and measures appropriate quality goals for providers.

Phase II: Applying Quality Measurement to Payment. Another goal of the hearing will be to explore how Congress might best apply a system of measurement to provider payments. The legislative draft does not contain such a mechanism at this time but looks forward to witness and interested party feedback on the best way to achieve an equitable system of measurement and payment.

Phase III: Medicare Fee-for-Service Opt-Out. At any time during Phases I or II, a provider may “Opt-out” of the modified FFS program and participate in an alternate payment model. This opt-out is designed to strengthen the doctor-patient relationship by supporting providers as they move to more efficient and autonomous payment models that continue the drive toward higher quality care.

The current SGR, should it be allowed to work as designed, threatens access to care for millions of seniors in this country as well as the livelihood of medical providers who care for them. Therefore, repeal and replacement of the SGR is a necessary Medicare reform to help ensure the future viability of the program – but it must be done in a fiscally responsible way.

Replacing the SGR with an improved fee-for-service physician payment system that preserves access to the highest quality health care for Medicare beneficiaries will require policymakers to analyze how best to encourage the delivery of high quality care. To that end, the Committee looks forward to feedback from all interested parties on the policies released to date as well as alternatives to those policies that might improve the Medicare program for medical providers and seniors.

III. STAFF CONTACTS

If you have any questions regarding the hearing, please contact Robert Horne, Steve Ferrara or Katie Novaria at (202) 225-2927.